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Department of the Treasury
Washington, DC 20224

Person To Contact: _____, ID No. _____

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Date:
December 20, 2012

Successor =
Sub 1

Successor =
Sub 2

Target Sub 1 =

Successor =
Sub 3

Target Sub 2 =

Target Sub 3 =

Target Sub 4 =

Successor
Sub 4 =

Successor
Sub 5 =

Target Sub 5 =

New
Successor
Sub 5 =

Business A =

Year A =

Year B =

Year C =

Date A =

Date B =

Date C =

State A =

State B =

Dear :

This letter responds to your letter from your authorized representative dated November 6, 2012, requesting rulings under the Commissioner's Discretionary Rule of § 1.1502-13(c)(6)(ii)(D) of the Income Tax Regulations as applied to a series or proposed transactions (the "Proposed Transactions"). The information submitted in that request is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

SUMMARY OF FACTS

Parent is the common parent of an affiliated group of corporations (the "Parent Group") that files a consolidated return for Federal income tax purposes. All members of the consolidated group use the accrual method of accounting. Parent, through its subsidiaries, is engaged in Business A.

Parent indirectly owns all of the outstanding stock of Successor Sub 1. Successor Sub 1 owns all of the outstanding stock of Successor Sub 2. Successor Sub 2 owns all of the outstanding stock of Target Sub 1. Target Sub 1 owns all of the outstanding stock of Successor Sub 3, Target Sub 2, and Target Sub 3. Successor Sub 3 owns all of the outstanding stock of Target Sub 4. Target Sub 4 owns all of the outstanding stock of Successor Sub 4. Successor Sub 4 owns all of the outstanding stock of Successor Sub 5 and Target Sub 5.

As a result of past restructurings, Successor Sub 1, Successor Sub 2, Successor Sub 3, Successor Sub 4, and Successor Sub 5 are accounting for intercompany gains under the rules of § 1.1502-13. The relevant intercompany gains were recognized as a result of the distribution of assets in Year A by a former member of Parent Group to multiple group members in a liquidation to which Sections 332 and 336(a) applied ("the Year A Liquidation"). Successor Sub 1, Successor Sub 2, Successor Sub 3, Successor Sub 4, and Successor Sub 5 are successors to those gains in accordance with § 1.1502-13(j)(2)(i)(A).

The assets distributed in the Year A Liquidation consisted of stock of subsidiaries within Parent Group. The stock of two of those subsidiaries were disposed of in Year B and Year C and the intercompany gains associated with the Year A distribution of that stock was taken into account ("the Prior Dispositions"). The intercompany gains from the Year A Liquidation with respect to the stock of other subsidiaries has not been taken into account and those intercompany gains are reflected in blocks of stock of Target Sub 1, Target Sub 2, Target Sub 3, Target Sub 4, Successor Sub 3, Successor Sub 4, Successor Sub 5 and Target Sub 5.

PROPOSED TRANSACTIONS

Parent proposes to effect the following partially consummated transactions, on or prior to Date C:

- (i) On Date A, Successor Sub 4 formed New Successor Sub 5.
- (ii) On or before Date B, Successor Sub 5 will merge with and into New Successor Sub 5.
- (iii) On Date C, New Successor Sub 5 will convert into a limited liability company ("LLC") under State A law.
- (iv) On Date C, Successor Sub 4 will merge with and into Target Sub 4.
- (v) On Date C, Target Sub 4 will merge with and into Successor Sub 3.
- (vi) On Date C, Successor Sub 3 will convert to an LLC under State B law.
- (vii) On Date C, Target Sub 2 will convert to an LLC under State A law.
- (viii) On Date C, Target Sub 1 will convert to an LLC under State A law.
- (ix) On Date C, Successor Sub 2 will convert into an LLC under State A law.

Following completion of the Proposed Transactions, Target Sub 5 and Target Sub 3 will remain in existence as direct subsidiaries of Successor Sub 1 for U.S. federal tax purposes.

REPRESENTATIONS

The following representations have been made by Parent:

- (a) Section 332 applied to the Year A Liquidation by reason of § 1.1502-34; however, there was not an 80-percent distributee as defined in Section 337(c).
- (b) Successor Sub 1, Successor Sub 2, Successor Sub 3, Successor Sub 4, and Successor Sub 5 are successor persons (as defined in § 1.1502-13(j)(2)) to the intercompany gain recognized as a result of the Year A Liquidation. There are no other successors (as defined in § 1.1502-13(j)(2)) to the intercompany gain from the Year A Liquidation.

- (c) The stock of each of Target Sub 1, Target Sub 2, Target Sub 3, Target Sub 4, Successor Sub 3, Successor Sub 4, Successor Sub 5, and Target Sub 5 was distributed in the Year A Liquidation or is considered a successor asset (as defined in § 1.1502-13(j)(1)) to stock distributed in the Year A Liquidation.
- (d) Proposed Transactions (i) and (ii) will, together, qualify as a reorganization under Section 368(a)(1)(F), and New Successor Sub 5 stock will be a successor asset to Successor Sub 5 stock with respect to the Year A Liquidation under § 1.1502-13(j)(1).
- (e) Proposed Transactions (iii) through (ix) will each qualify as a nontaxable liquidation under Sections 332 and 337(a), or as a reorganization under Section 368(a)(1)(A) or Section 368(a)(1)(C). As such, the respective shareholders' bases in the affected subsidiaries will be permanently eliminated and there will not be a successor asset to which such bases attach.
- (f) Following the conversions of New Successor Sub 5, Successor Sub 3, Target Sub 2, Target Sub 1, and Successor Sub 2 to LLCs in Proposed Transactions (iii), (vi), (vii), (viii), and (ix), respectively, each will be treated as a disregarded entity for U.S. federal income tax purposes. There is no current plan or intention for any of these entities to elect to be classified as an association taxable as a corporation for U.S. federal tax purposes.
- (g) Other than the intercompany gains taken into account as a result of each of the Prior Dispositions, the effects of each intercompany transaction that resulted from the Year A Liquidation have not previously been reflected on the Parent Group's consolidated return.
- (h) The Parent Group has not derived, and no taxpayer will derive, any federal income tax benefit from the Year A Liquidation that gave rise to the intercompany gains or the redetermination of the intercompany gains (including any adjustment to basis in member stock under § 1.1502-32).

RULINGS

Based solely on the facts and representations submitted, we rule as follows:

- (1) Except as provided in Ruling (3) below, the remaining intercompany gains from the Year A Liquidation will be redetermined to be excluded from gross income under the Commissioner's Discretionary Rule of § 1.1502-13(c)(6)(ii)(D).
- (2) The intercompany gain that is redetermined to be excluded from gross income will not be taken into account as earnings and profits of any member and will not be treated as tax-exempt income under § 1.1502-32(b)(2)(ii).
- (3) Intercompany gain from the Year A Liquidation with respect to the stock of Target Sub 3 and Target Sub 5 (and any asset with respect to which the stock of those

subsidiaries are successors under § 1.1502-13(j)(1)) will not be eliminated nor taken into account as a result of the Proposed Transactions.

CAVEATS

No opinion is requested and no opinion is expressed whether Proposed Transactions 1 and 2 will qualify as a reorganization within the meaning of Section 368(a)(1)(F), or whether each of Proposed Transactions 3 through 9 will qualify as a liquidation under Sections 332 and 337 or as a reorganization under Section 368(a)(1). Additionally, no opinion is expressed concerning the tax treatment of the Proposed Transactions under other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transactions that are not specifically covered by the above rulings.

PROCEDURAL STATEMENTS

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent. A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this ruling letter.

Pursuant to the power of attorney on file in this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Lawrence M. Axelrod

Lawrence M. Axelrod
Special Counsel to the Associate Chief Counsel
(Corporate)

cc: